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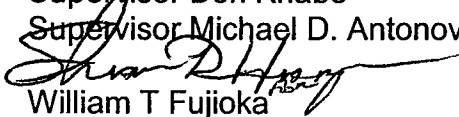
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Fifth District

October 19, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich
From: 
William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

Status of Special Session on Water Supply

On October 9, 2007, your Board directed the Chief Executive Officer to apprise the Board on the various proposals under consideration in the Legislative Special Session on Water Supply, with recommendations on which proposals the County should support or oppose, and to inform the Board on a weekly basis concerning the status of these State proposals.

This memorandum responds to the request for a weekly status report and supplements our Sacramento Update of October 5, 2007 entitled "Outlook for Water Supply Special Session" which included a statement of general principles and positions on several bills under consideration in the Special Session. It also reported that a recent court decision found that water pumping from the Sacramento/San Joaquin River Delta violates federal law by degrading the environment and jeopardizing the existence of endangered fish species, such as the Delta smelt, which could reduce the supply of water from Northern California by as much as 37 percent. Our October 12, 2007 memorandum noted that neither legislation sponsored by the Governor, nor that pursued by Senate President Pro Tem Perata, was able to garner the necessary votes to pass policy committee in the case of the former, or the Senate floor, in the case of Senator Perata's bill, although it was granted reconsideration.

At its meeting of October 16, 2007, your Board took note of the impasse in the Water Supply Special Session and directed our Sacramento advocates to work to bring the two sides together to reach an agreement through consensus and compromise that would include conservation, water quality, conveyance and both surface and ground storage.

Key Issues

The key issues are water reliability, environmental protection, and financing of the proposed surface storage facilities. Republicans and Democrats have advanced different approaches with the most contentious disputes over the necessity for, and advisability of constructing and/or expanding three Northern California dams, and financing through the use of Statewide general obligation bonds.

Governor's Approach

The Governor and the Republicans in the Legislature propose to expand California's water storage system by building major storage facilities, reservoirs, or dams financed by all taxpayers primarily through general obligation bond funding. They argue that the capacity to capture and store additional flood water will provide the State with tremendous flexibility and bring greater reliability to the State's water supply.

The Governor cites as recent evidence that last year the State had to release millions of acre-feet of flood waters because there was insufficient capacity to store flood flows from the Sacramento River, and that these flood waters are a threat to the stability of the levee system.

Finally, the Governor points out that due to drought conditions this year, the State's major reservoirs have much less water in storage than normal for this time of year.

The Governor agrees with Democrats that conservation and water recycling are key elements contributing to water reliability, but these measures cannot solve the water crisis alone because they cannot capture the Sierra snowmelt when it floods the Sacramento or San Joaquin rivers nor can they provide sufficient drinking water for an anticipated spike in California's population over the next 40 years.

Senate Democrats

Led by Senate President Pro Tem Perata, Democrats argue that conservation, local water reliability, groundwater clean-up, and groundwater storage are the best way to proceed in a cost-efficient manner. They also point out that dams are expensive, do not solve the immediate problem, and that general obligation bond financing may not be

appropriate since the projects do not necessarily benefit the public at large. In their view, the dams are a decade or more away from construction and provide no water supply benefit to the millions of people in the Bay Area or south of the Tehachapis.

The Senate Democrats would target money for regional grants to improve water supply reliability and emphasize regional decision-making, believing that regional and local agencies are the experts and best able to decide how to meet their water needs. They would set up a competitive process in each region to fund the projects that provide the most water at the lowest cost.

County Positions on Compromise Legislation

The County continues to support the passage of water supply legislation to increase the reliability of State and local water supplies with appropriate infrastructure and equitable funding levels. Compromise legislation should capture the key elements of both approaches to include support of conservation programs, groundwater protection, pollution cleanup, recycling, and ground storage and large surface storage facilities with an emphasis on local surface and ground storage programs that enhance our region's local water supply while reducing our dependency on water from outside the Los Angeles Basin, as noted by Supervisor Antonovich in his comments during the October 16, 2007 Board meeting. The County will continue to support regional solutions and large surface storage projects which should provide Statewide and local benefit.

Consistent with the County's support on compromise legislation, we will **continue to support SB 2X 1 (Perata, Machado and Steinberg) and SB 2X 2 (Perata, Machado and Steinberg) as amended on October 8, 2007.** SB 2X 1 would appropriate a total of \$611 million in bond funding from Proposition 1E (2006), Proposition 84 (2006) and Proposition 50 (2002) to the Department of Water Resources and State Department of Public Health for a variety of water-related projects, particularly related to the Sacramento-San Joaquin Delta. Also, SB 2X 2, as amended on October 8, 2007, would enact the Clean Water Bond Act of 2008 which would authorize the issuance of \$6.8 billion in bonds for water supply reliability and environmental restoration.

In addition, it is now appropriate to **support SB 2X 3 (Cogdill and Ackerman).** SB 2X 3 would enact the Water Supply Reliability Bond Act of 2008 at a bond issuance level of \$9.1 billion. The major difference in the amounts of the two bond measures (SB 2X 2 and SB 2X 3) is the inclusion of \$5.6 billion for three water storage facility development projects in Northern California in SB 2X 3, and funding for Groundwater Protection (\$1.1 billion) and Water Recycling (\$250 million) in SB 2X 2. The Department of Public Works has indicated that the operation of these storage facilities will have a positive impact on water quality in the Delta and help ensure future delivery to the Bay Area and Southern California.

The compromise may require an increase in total bond insurance to guarantee potential funding for local projects as outlined in SB 2X 2 and the construction of large surface storage facilities as proposed in SB 2X 3.

Further, our Sacramento advocates will communicate the Board's direction to support a compromise approach to the issue of water supply reliability that incorporates conservation, water quality, and surface storage solutions. The County also will work to ensure that any compromise includes funding for large surface storage projects and for local projects such as recycling, groundwater recharge and cleanup, which will decrease our reliability on water from Northern California.

We will continue to keep you advised.

WTF:GK/LS
MAL:IGA:hg

c: All Department Heads
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